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Message Text

SECRET

PAGE 01 LONDON 20077 131121Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
---------- 108101 /20
O R 131113Z DEC 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 8671
INFO AMEMBASSY BONN
AMEMBASSY PARIS

S E C R E T LONDON 20077

EXDIS

E.O. 11652: XGDS-1
TAGS: ENRG
SUBJECT: OPEC PRICE INCREASES

REF: STATE 299614 AND 299892, LONDON 19169

1. ECMIN REVIEWED ACTIVITIES RE OIL PRICE INCREASE WITH MICHAEL BUTLER ON BASIS REFTELS DECEMBER 10.

2. BUTLER SAID UKG HAD CARRIED OUT PROGRAM OF ACTIONS OUTLINED IN HIS NOVEMBER 24 MEETING WITH ROGERS BUT HAD NOTHING VERY NOTEWORTHY TO REPORT. HE SAID THEY HAD APPROACHED A FEW NON-OPEC DEVELOPING COUNTRIES, NOTABLY JAMAICA AND INDIA. FORMER EXPRESSED CONCERN, BUT HE WAS NOT TOO ENCOURAGED TO THINK THEY WOULD DO ANYTHING; LATTER SEEMED MORE OR LESS TO ACCEPT WHATEVER HAPPENS,

3. BUTLER SAID HE HAD NO PLANS OR SUGGESTIONS FOR FURTHER ACTION. HE SAID HE THINKS LIKELY PROSPECT EMERGING FROM FORTHCOMING MEETING IS MODERATE INCREASE WITH DECISION ON POSSIBLE SECOND INCREASE NEXT SUMMER HELD OFF FOR THE PRESENT. HE THINKS IT IS IMPORTANT, WHATEVER HAPPENS, TO AVOID ANYTHING THAT ENCOURAGES CIEC-OIL PRICE LINK OR REVERSE LINK; SPECIFICALLY, IF PRICE IS RAISED INDUSTRIAL COUNTRIES MUST AVOID USING THIS AS ARGUMENT FOR NOT DOING MUCH IN CIEC (AS HE SAID GERMANS HAD EARLIER SUGGESTED). TO DO SO, HE FEARS, COULD ONLY FACILITATE FURTHER LINKAGE, INCLUDING SECOND
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STEP PRICE INCREASE, AND MIGHT ENCOURAGE NON-OPEC

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DEVELOPING COUNTRIES TO PRESS OPEC FOR DISCRIMINATORY PRICING. HE SEEMED TO BE QUITE DISTURBED BY POSSIBILITY OF DISCRIMINATORY PRICING BUT STRESSED IMPORTANCE OF NOT BUILDING UP THIS IDEA BY TALK WHICH WOULD LEAK OUT AND WOULD TEND TO GIVE IT STATURE. HE DESCRIBED ALL THESE VIEWS AS PERSONAL.

4. IN RESPONSE TO OUR QUESTION, BUTLER SAID HIS PERSONAL VIEW IS THAT OUR REACTION TO ANY PRICE INCREASE DECISION SHOULD BE REGRET, THE GREATER THE INCREASE THE MORE THE REGRET, BUT THERE SHOULD BE NO TALK OF LINKAGE IN ANY CASE. HE SAID UK WILL MAKE POINTS RE LINKAGE TO ONE OR TWO EC PARTNERS.

ARMSTRONG

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